

SOCIAL SECURITY AGREEMENT BETWEEN THE
UNITED STATES AND THE CZECH REPUBLIC

MESSAGE

FROM

THE PRESIDENT OF THE UNITED STATES

TRANSMITTING

A SUPPLEMENTARY AGREEMENT AMENDING THE AGREEMENT ON
SOCIAL SECURITY BETWEEN THE UNITED STATES OF AMERICA
AND THE CZECH REPUBLIC SIGNED AT PRAGUE ON SEPTEMBER
23, 2013, PURSUANT TO 42 U.S.C. 433(e)(1); SSA, SEC. 233(e)(1)



OCTOBER 6, 2015.—Message and accompanying papers referred to the
Committee on Ways and Means and ordered to be printed

U.S. GOVERNMENT PUBLISHING OFFICE

59–011

WASHINGTON : 2015

To the Congress of the United States:

Pursuant to section 233(e)(1) of the Social Security Act, as amended by the Social Security Amendments of 1977 (Public Law 95–216, 42 U.S.C. 433(e)(1)), I transmit herewith the Supplementary Agreement Amending the Agreement on Social Security between the United States of America and the Czech Republic (the “Supplementary Agreement”). The Supplementary Agreement, signed at Prague on September 23, 2013, is intended to modify a certain provision of the Agreement on Social Security between the United States of America and the Czech Republic, with Administrative Arrangement, signed at Prague on September 7, 2007, and entered into force January 1, 2009 (the “U.S.-Czech Social Security Agreement”).

The U.S.-Czech Social Security Agreement as amended by the Supplementary Agreement is similar in objective to the social security agreements already in force with most European Union countries, Australia, Canada, Chile, Japan, Norway, and the Republic of Korea. Such bilateral agreements provide for limited coordination between the United States and foreign social security systems to eliminate dual social security coverage and taxation, and to help prevent the lost benefit protection that can occur when workers divide their careers between two countries.

The Supplementary Agreement amends the U.S.-Czech Social Security Agreement to account for a new Czech domestic health insurance law, which was enacted subsequent to the signing of the U.S.-Czech Social Security Agreement in 2007. By including the health insurance law within the scope of the U.S.-Czech Social Security Agreement, this amendment will exempt U.S. citizen workers and multinational companies from contributing to the Czech health insurance system, when such workers otherwise meet all of the ordinary criteria for such an exemption.

The U.S.-Czech Social Security Agreement, as amended, will continue to contain all provisions mandated by section 233 of the Social Security Act and other provisions that I deem appropriate to carry out the purposes of section 233, pursuant to section 233(c)(4) of the Social Security Act.

I also transmit for the information of the Congress a report required by section 233(e)(1) of the Social Security Act on the estimated number of individuals who will be affected by the Supplementary Agreement and its estimated cost effect. The Department of State and the Social Security Administration have recommended the Supplementary Agreement and related documents to me.

I commend the Supplementary Agreement to the U.S.-Czech Social Security Agreement and related documents.

BARACK OBAMA.

THE WHITE HOUSE, October 6, 2015.

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SUPPLEMENTARY AGREEMENT

ANNOTATIONS AND COMMENTS

**SUPPLEMENTARY AGREEMENT AMENDING
THE AGREEMENT ON SOCIAL SECURITY BETWEEN
THE UNITED STATES OF AMERICA
AND THE CZECH REPUBLIC**

The United States of America and the Czech Republic, (hereinafter referred to as "the Contracting States"),

Having considered the Agreement on Social Security between the United States of America and the Czech Republic, signed September 7, 2007 (hereinafter referred to as the "Agreement"), and

Having recognized the need to clarify a provision of the Agreement,

Have agreed as follows:

United States and Czech Republic officials signed the original U.S.-Czech Social Security Agreement on September 7, 2007 and it entered into force on January 1, 2009. United States and Czech Republic authorities have negotiated a Supplementary Agreement that amends the original Agreement. The text of the Supplementary Agreement is on the left column of this document with explanatory comments on the right.

Article 26.2 of the 2007 Agreement expressly provides that it may be amended "by supplementary agreements which, from their entry into force shall be considered an integral part of this Agreement."

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Article 1

Article 2, paragraph 1, subparagraph (b) of the Agreement shall be replaced by the following:

- "(b) as regards the Czech Republic, to
 - the Pension Insurance Act and related acts,
 - the Social Insurance Contribution and State Employment Policy Premium Act and related acts, and
 - as regards Part II of the Agreement, the Act on Public Health Insurance."

When the Agreement was signed in 2007, Articles 2 and 7 included an exemption for U.S. workers covered under the Agreement from both Czech Republic social security and health insurance contributions within its stated scope. However, effective January 1, 2008, the Czech Republic changed its laws on health insurance, in a manner that had the unintended effect of placing health insurance contributions outside the legal scope of the Agreement. As a consequence, workers covered exclusively under U.S. laws while working in the Czech Republic also became subject to the new law on health insurance contributions when the original intent of the Agreement was to make them exempt from such contributions. When the United States became aware of this change in Czech Republic law, the President had already transmitted the U.S.-Czech totalization Agreement to Congress for review. The Agreement subsequently became effective January 1, 2009. U.S. workers exempted from Czech Republic social security taxes under the Agreement remained liable to pay health insurance taxes. This result is inconsistent with the purpose of the totalization agreement to eliminate duplicate taxation as permitted by 42 U.S.C. 433 and 26 U.S.C. 3101(c).

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The purpose of this Supplementary Agreement is to exempt a worker subject exclusively to U.S. laws from contributing to the Czech Republic's health insurance system if he or she meets all the ordinary criteria for such an exemption. The Supplementary Agreement achieves this by placing the new Czech health insurance law, the Act on Public Health, within the stated scope of the U.S.-Czech Agreement.

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Article II

This Supplementary Agreement shall enter into force on the first day of the first month following the month in which the Contracting States inform each other by written notification that all necessary statutory and constitutional requirements for the entry into force of this Supplementary Agreement have been fulfilled.

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Each country will follow its own constitutional procedures for approval of the Supplementary Agreement. The Parliament will review it in the Czech Republic, and in the United States, the President will transmit the Supplementary Agreement to the Congress for a review period of 60 session days, as required by section 233 of the Act. Once each country has completed its internal approval process, the two Governments will exchange formal instruments of approval. The new Agreement integrating the Supplementary Agreement provisions will enter into force on the first day of the first calendar month after each Government has received the notification of approval from the other Government.

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The United States Ambassador to the Czech Republic, Norman Eisen, and the Czech Minister of Labour and Social Affairs, František Koníček, signed the Agreement on September 23, 2013 in Prague.

IN WITNESS WHEREOF, the undersigned, being duly authorized thereto, have signed this Supplementary Agreement.

Signed and completed in Prague on September 23, 2013 in duplicate in the English and Czech Republic languages, the two texts being equally authentic.

For the United States of America:

Norman Eisen

For the Czech Republic:

František Koníček

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AGREEMENT ON SOCIAL SECURITY BETWEEN THE UNITED STATES OF AMERICA AND THE CZECH REPUBLIC

The United States of America and
the Czech Republic, (hereinafter referred to as "the Contracting States"),
Being desirous of regulating the relationship between their two states in
the field of Social Security, have agreed as follows:

PART I

General Provisions

Article 1

Definitions

1. For the purposes of this Agreement:

- (a) "national" means,
as regards the United States, a national of the United States
as defined in Section 101, Immigration and Nationality
Act, as amended, and

Article 1 defines key terms used in the Agreement.

The document is described as an "Agreement" with the understanding that it will enter into force for the Czech Republic as a formal treaty subject to ratification by the Czech Parliament and for the United States as an executive agreement under authority of Section 233 of the Social Security Act. Upon entry into force, the Agreement will have the effect of law in both countries and will be binding on both countries.

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as regards the Czech Republic, a national of the Czech Republic;

A Czech national means any person who is accorded nationality by the Czech Republic, including, but not limited to, a person who carries a valid Czech passport or other valid identity document designating the person as a Czech national.

(b) "laws" means the laws and regulations specified in Article 2 of this Agreement;

The term "laws," as used in the Agreement, refers to the social security laws and regulations of each country as set forth in Article 2.

(c) "competent authority" means,

as regards the United States, the Commissioner of Social Security, and

as regards the Czech Republic, the Ministry of Labour and Social Affairs;

"Competent authority," as used throughout this Agreement refers to the Government official in each country with ultimate responsibility for administering the social security program, including the provisions of the Agreement.

(d) "agency" means,

the body responsible for implementation of the laws specified in Article 2;

"Agency," as used in the Agreement, refers to the administrative body in each country responsible for taking and processing claims and making coverage determinations under each country's social security laws.

The Social Security Administration is the agency for the United States. However, the U.S. Internal Revenue Service's responsibility for determining social security tax liability in light of SSA coverage determinations under the Agreement is not affected.

The Ministry of Labour and Social Affairs is the agency for the Czech Republic.

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- (e) "period of coverage" means a period of payment of contributions or a period of earnings from employment or self-employment, as defined or recognized as a period of coverage by the laws under which such period has been completed, or any similar period insofar as it is recognized by such laws as equivalent to a period of coverage; and
- (f) "benefit" means any benefit provided for in the laws specified in Article 2 of this Agreement.
2. Any term not defined in this Article shall have the meaning assigned to it in the applicable laws.

"Period of coverage" means any period which is credited under the social security laws of either country for purposes of determining benefit eligibility, including periods of covered employment and self-employment.

"Benefit" refers to old-age, survivors, and disability benefits provided under the social security laws of either country. With respect to the United States, the term also includes the lump-sum death payment under section 202(i) of the Social Security Act, but excludes special age-72 payments provided for certain uninsured persons under section 228 of the Social Security Act.

Each country will assign to any undefined terms used in the Agreement the same meaning as they are given under its national laws.

Article 2

Material Scope

1. This Agreement shall apply:

- (a) as regards the United States, to the laws governing the Federal old-age, survivors, and disability insurance program,
- Title II of the Social Security Act and regulations pertaining thereto, except sections 226, 226A, and 228 of that title, and regulations pertaining to those sections, and
- For the United States, the Agreement applies to title II of the U.S. Social Security Act and the corresponding tax laws (the Federal Insurance Contributions Act and the Self-Employment Contributions Act of 1954) and any regulations pertaining to those laws. The Agreement does not apply to Medicare provisions (sections 226 and 226A of the Social Security Act) or provisions for special payments to uninsured individuals age 72 or over under section 228 of the Social Security Act. Persons to whom the Agreement applies who qualify independently for Medicare hospital insurance or age-72 payments will be entitled to receive such benefits.

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- Chapters 2 and 21 of the Internal Revenue Code of 1986 and regulations pertaining to those chapters;
 - (b) as regards the Czech Republic, to
 - the Pension Insurance Act and related acts, and
 - the Social Insurance Contribution and State Employment Policy Premium Act and related acts.
2. Unless otherwise provided in this Agreement, the laws referred to in paragraph 1 of this Article shall not include treaties or other international agreements or supranational legislation on Social Security in force between one Contracting State and a third State, or laws or regulations promulgated for their specific implementation, except insofar as they contain provisions relating to the apportionment of insurance burdens.

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Although the Agreement does not apply to Medicare, a worker who is subject only to Czech laws by virtue of Part II of the Agreement will be exempt not only from U.S. retirement, survivors and disability insurance contributions but also from health insurance contributions under the Federal Insurance Contributions Act (FICA) and the Self-Employment Contributions Act (SECA).

For the Czech Republic, the Agreement applies to the Pension Insurance Act and corresponding acts as well as the Social Insurance Contribution and State Employment Policy Premium Act and corresponding acts.

The Pension Insurance Act covers old-age, disability and survivors (OASDI) benefits. The Social Insurance Contribution and State Employment Policy Premium Act provides for the collection of insurance premiums including contributions for OASDI, sickness and unemployment insurance. A worker who is subject exclusively to U.S. laws under Part II of the Agreement will be exempted, together with his or her employer, from contributions for Czech OASDI, sickness and unemployment insurance taxes.

The laws to which the Agreement applies do not include treaties and other international agreements – for example, either country's bilateral social security agreements with third countries or multilateral agreements. The purpose of this provision is to ensure that in cases where a person has periods of coverage in the United States and the Czech Republic and periods of coverage in a third country with which the United States or the Czech Republic has a social security agreement, periods from all three countries may not be combined to meet U.S. or Czech benefit eligibility requirements.

The Agreement, however, would take into account any provision of Czech treaties "relating to the apportionment of insurance burdens." These provisions are contained in a bilateral treaty now in force between the Czech Republic and the Slovak Republic regarding the sharing of

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pension liabilities resulting from periods of coverage prior to the dissolution of Czechoslovakia. Under the Czech-Slovak agreement, for example, a person who had earned periods of coverage under the unified Czechoslovakian system would have those periods of coverage counted under the Slovakian social security system if his or her last employer was headquartered in Slovakia, and under the Czech social security system if his or her last employer was headquartered in the Czech Republic.

Under Article 2.2 of the Agreement, if periods completed in Czechoslovakia are now taken into account under Czech laws in accordance with the Czech-Slovak agreement, these periods will also be considered Czech periods of coverage in applying the U.S.-Czech agreement. On the other hand, periods completed in Czechoslovakia that are now taken into account under Slovakian law will not be considered Czech periods under the U.S.-Czech agreement. Similar provisions are contained in the U.S.-German and U.S.-Austrian agreements, since Germany and Austria have also entered into treaties that include provisions on the apportionment of insurance burdens.

3. Except as provided in the following sentence, this Agreement shall also apply to legislation which amends, supplements or replaces the laws specified in paragraph 1. This agreement shall apply to future legislation of a Contracting State which creates new categories of beneficiaries or new benefits under the laws of that Contracting State unless the Competent Authority of that Contracting State notifies the Competent Authority of the other Contracting State in writing within three months of the date of the official publication of the new legislation that no such extension of the Agreement is intended.

Article 2.3 makes clear that the Agreement will automatically apply to any future U.S. or Czech legislation which creates new categories of beneficiaries or new benefits unless the country enacting the legislation excludes it from the scope of the Agreement by giving written notice to the other country within 3 months of the legislation's official publication.

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Article 3

Personal Scope

This Agreement shall apply to:

- (a) persons who are or who have been subject to the laws of one or both Contracting States;
- (b) other persons with respect to the rights they derive from the persons described in subparagraph (a).

Article 3

Personal Scope

Article 3 specifies the categories of persons to whom the Agreement applies. These include persons currently covered under U.S. or Czech laws, as well as persons who have been credited with periods of coverage under either country's laws in the past. The Agreement also applies to the dependents and survivors of such persons when the dependents or survivors derive rights under the laws of one or both countries based on a relationship to such persons.

Article 4

Equal Treatment

Persons designated in Article 3 who reside in the territory of a Contracting State shall receive equal treatment with nationals of that Contracting State in the application of its laws regarding eligibility for and the payment of benefits.

Article 4 provides that persons to whom the Agreement applies who reside in the United States or the Czech Republic will be accorded the same treatment regarding benefit rights under that country's social security laws as that country accords its own nationals. This provision is intended to eliminate discrimination that is based strictly on a person's nationality. It would not affect restrictions that a country imposes on benefit eligibility or payment because the person is not lawfully present in that country or was not authorized to work in that country. The provision also does not affect the coverage provisions of either country's laws, since these are dealt with specifically in Part II of the Agreement.

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Article 5

Export of Benefits

1. Unless otherwise provided in this Agreement, any provision of the laws of a Contracting State which restricts entitlement to or payment of benefits solely because the person resides outside or is absent from the territory of that Contracting State shall not be applicable to persons who reside in the territory of the other Contracting State.

Article 5.1 provides that where the laws of either country require that a person be resident or present in that country in order to qualify for or receive social security benefits, the person may also qualify for and receive those benefits during periods of residence in the other country. U.S. law already permits payment of benefits to U.S. and Czech nationals who reside in either country. Article 5.1 would also permit the United States to pay certain third country nationals who would otherwise be subject to the alien nonpayment provisions of section 202(t) of the Social Security Act during periods of residence in the Czech Republic.

In addition to the U.S. benefit portability guarantee provided for Czech residents in Article 5.1, the entry into force of the Agreement will also liberalize a restriction on exportation of U.S. dependents and survivors benefits that now applies to certain Czech citizens and residents. Under U.S. law, social security dependents and survivors benefits may not be paid to aliens who first become eligible after 1984 and who are outside the United States for more than 6 months unless they satisfy certain U.S. residency requirements or they are citizens or residents of a country with which the United States has an international social security agreement in force. Once the Agreement enters into force, Czech citizens and residents will be exempt from this payment restriction.

2. Where the laws of a Contracting State provide or allow that a benefit be payable in a third country, then the same applies for a benefit payable pursuant to Part III of this Agreement.

This provision was included at the request of the Czech Republic to make clear that benefits payable in a third country under Czech national law will also be payable in that third country when entitlement is established under the provisions of this Agreement.

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Article 6

Assimilation of Facts

Events that have legal effect on entitlement, reduction, suspension or benefit amount, and which occurred in the territory of one Contracting State, shall be taken into account as if they had taken place in the territory of the other Contracting State.

Article 6 provides that if an event which has effect on benefit entitlement, reduction, suspension or amount occurs in one Contracting State, it will be considered as having taken place in the other Contracting State and will therefore have the same effect as if it had occurred in the other Contracting State.

PART II

Provisions on Coverage

Part II is intended to eliminate dual social security coverage, the situation that occurs when a worker is covered under the laws of both countries with respect to the same services. In so doing, the existing coverage provisions of the laws of both countries are preserved to the greatest extent possible. The provisions in this Part are intended to eliminate dual coverage by continuing the worker's social security coverage and taxation under the system of the country to whose economy he or she has the more direct connection and exempting the worker from coverage and taxation under the other country's system.

Article 7

Basic Rule

Except as otherwise provided in this Part, a person pursuing an activity as an employed or self-employed person within the territory of one of the Contracting States shall, with respect to that employment or self-employment, be subject to the laws of only that Contracting State.

Article 7 establishes a basic territoriality rule which stipulates that a person's employment or self-employment in one country will be compulsorily covered by only that country. Thus, a person working in employment or self-employment that would otherwise be covered under the laws of both countries will remain covered under the system of the country where the work takes place and will be exempt from coverage under the system of the other country.

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Article 8

Additional Rules

1. A person normally employed in the territory of one Contracting State by an employer having a place of business in that territory who is sent by that employer to perform work for that employer in the territory of the other Contracting State for a temporary period shall be subject to the laws of only the first Contracting State as if the person were employed in its territory, provided that the period for which the person is sent is not expected to exceed five years. For purposes of applying this paragraph, an employer and an affiliated or subsidiary company of the employer, as defined under the laws of the Contracting State from which the person was sent, shall be considered one and the same, provided that the employment in the territory of the other Contracting State would have been covered under the laws of the Contracting State from which the person was sent absent this Agreement.

Under Article 8.1, an employee who normally works for an employer located in the United States or in the Czech Republic who is temporarily transferred to work in the other country for the same employer will continue to be covered by the social security system of the country from which the employee has been transferred. This rule will apply only if the transfer is expected to last 5 years or less.

Article 8.1 also applies in the case of certain employees who are sent by an employer in the United States to work for a subsidiary or other affiliate of that employer in the Czech Republic. U.S. law permits American companies to extend U.S. social security coverage to U.S. citizens and resident aliens employed by an affiliated company in another country. To do this, the parent company in the United States must enter into an agreement with the Internal Revenue Service (IRS) to pay social security contributions on behalf of all U.S. citizens and residents employed by the foreign affiliate. Under Article 8.1, U.S. citizens or resident aliens who are sent by an American employer to work for an affiliated Czech company for 5 years or less will continue to be covered by the United States and exempt from Czech coverage and contributions, provided the affiliate is covered by an IRS agreement.

For purposes of measuring the length of a transfer for workers who were sent from one country to the other before the Agreement entered into force, any period of work before the Agreement's entry into force will be disregarded. (See Article 23.3.)

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2. Paragraph 1 of this Article shall apply where a person who has been sent by his or her employer from the territory of a Contracting State to the territory of a third State, and who is compulsorily covered under the laws of that Contracting State while employed in the territory of the third State, is subsequently sent by that employer from the territory of the third State to the territory of the other Contracting State.
3. A person who is normally self-employed in the territory of one Contracting State, and who temporarily transfers his or her self-employment activity to the territory of the other Contracting State shall be subject to the laws of only the first Contracting State, provided that the period of self-employment activity in the territory of the other Contracting State is not expected to exceed 5 years.
4. Traveling employees of air transportation companies who perform work in the territories of both Contracting States who would otherwise be covered under the laws of both Contracting States shall, with respect to that work, be subject to the laws of only the Contracting State in the territory of which the company has its headquarters. However, if such employees reside in the territory of the other Contracting State, they shall be subject to the laws of only that State.

Under Article 8.2, the provisions of Article 8.1 will apply even if an employee has not been sent directly from one country to the other but is first assigned to work in a third country.

Under Article 8.3, a person who is self-employed in one country and who conducts his or her trade or business in the other country for a period of 5 years or less will remain covered only by the country from which he or she moved. This rule will apply only if the transfer is expected to last 5 years or less.

For purposes of measuring the duration of such a transfer in the case of a person who moved his or her business to the other country before the Agreement enters into force, Article 23.3 provides that any period of self-employment before the Agreement's entry into force will be disregarded.

Under Article 8.4, a member of the flight crew of an aircraft operating between the United States and the Czech Republic who would otherwise be covered under the laws of both countries will be covered only by the country in which the company employing the person is headquartered. However, if the employee resides in the other country, he or she will be subject to the laws of that country.

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Article 9

Government Employment

1. This Agreement shall not affect the provisions of the Vienna Convention on Diplomatic Relations of April 18, 1961, or of the Vienna Convention on Consular Relations of April 24, 1963.
2. Nationals of one of the Contracting States who are employed by the Government of that State in the territory of the other Contracting State but to whom the Conventions mentioned in paragraph 1 of this Article do not apply shall be subject to the laws of only the first Contracting State. For the purpose of this paragraph, employment by the Government of a Contracting State includes employment by an instrumentality thereof.

Article 9.1 is intended to make clear that, in general, the categories of persons mentioned in the Vienna Conventions on diplomatic and consular relations will not be affected by the coverage provisions of the Agreement. The Conventions, to which both the United States and the Czech Republic are parties, apply to members of the staff of a diplomatic or consular mission, including the diplomatic, consular, administrative and technical staffs; family members of such staff who form part of their households; the domestic service staff of the mission; and private servants employed by the members of such missions.

In general, the Vienna Conventions exempt such persons from social security coverage and contributions under the laws of the host country unless specific arrangements have been made to waive their immunity from taxation. Persons whose immunity has been waived would be subject to the laws of the host country, including the coverage provisions of this Agreement.

Article 9.2 provides that if a U.S. or Czech national is employed by his or her Government in the other country but is not exempt from host country coverage by virtue of the Vienna Conventions (for example, because the person is not employed in a diplomatic or consular mission), the person will be subject only to the laws of his or her own country. This provision applies not only to U.S. and Czech Government employees, but also to persons working for a U.S. or Czech Government instrumentality.

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Article 10

Exceptions

At a request of an employee and an employer or a self-employed person, the Competent Authorities of the two Contracting States or agencies designated by them may agree to grant an exception to the provisions of this Part with respect to particular persons or categories of persons, provided that any affected person shall be subject to the laws of one of the Contracting States.

Under Article 10, either country may grant an exception to the coverage rules of the Agreement, provided that the other country agrees and the person involved remains subject to the coverage laws of one of the countries. Such an exception may be granted on behalf of an individual worker or on behalf of all workers employed under similar circumstances, e.g., in the same profession or for the same employer. This provision is designed to permit the Competent Authorities or their designated agencies to correct anomalous coverage situations that may arise to the disadvantage of workers or to eliminate dual coverage in unforeseen circumstances.

PART III

Provisions on Benefits

Article 11

Benefits under United States Laws

1. Where a person has completed at least six quarters of coverage under United States laws, but does not have sufficient periods of coverage to satisfy the requirements for entitlement to benefits under United States laws, the agency of the United States shall take into account, for the purpose of establishing entitlement to

Part III establishes the basic rules for determining social security benefit entitlement when an individual has worked in both the United States and the Czech Republic and the rules for determining benefit amounts when entitlement is based on combined work credits. Article 11 deals with the U.S. system, and Article 12 contains rules specifically applicable to the Czech system.

Article 11 contains rules for determining U.S. benefit eligibility and amounts in the case of people who have periods of social security coverage in the Czech Republic and at least six quarters of coverage in the United States, but who do not have enough U.S. coverage to qualify for U.S. benefits. In such cases, the Social Security Administration, in

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benefits under this Article, periods of coverage which are credited under Czech laws and which do not coincide with periods of coverage already credited under United States laws.

2. In determining eligibility for benefits under paragraph 1 of this Article, the agency of the United States shall credit one quarter of coverage for every 90 days of coverage or fraction thereof certified by the agency of the Czech Republic; however, no quarter of coverage shall be credited for any calendar quarter already credited as a quarter of coverage under United States laws. The total number of quarters of coverage to be credited for a year shall not exceed four. However, the agency of the United States shall not take into account periods of coverage which occurred prior to the earliest date for which periods of coverage may be credited under its laws.

accordance with Article 11.1, will take into account any periods of coverage credited under Czech laws insofar as these periods do not coincide with quarters of coverage already credited under U.S. laws.

Article 11.2 establishes the procedure that SSA will follow in converting periods of coverage under the Czech system into equivalent periods under the U.S. system. Periods of coverage under the U.S. system are measured in terms of calendar quarters while Czech periods of coverage are measured in days. Beginning in 1978, U.S. quarters of coverage are based on the amount of a person's annual earnings (e.g., for 2007, \$1,000 in earnings equals one quarter of coverage). Under Article 11.2, SSA will credit one quarter of coverage in a calendar year for every 90 days of coverage certified for that year by the Czech agency. (Article 12.4 provides a corresponding rule for converting U.S. quarters of coverage into Czech days of coverage when determining Czech benefit eligibility.) However, SSA will not credit days of coverage under Czech laws which fall within a calendar quarter which has already been credited as a U.S. quarter of coverage. In addition, SSA will not credit more than 4 quarters of coverage for any calendar year, nor will SSA consider periods of Czech coverage credited prior to 1937, the earliest date for which periods of coverage may be credited under U.S. law.

3. Where entitlement to a benefit under United States laws is established according to the provisions of paragraph 1 of this Article, the agency of the United States shall compute a pro rata Primary Insurance Amount in accordance with United States laws based on (a) the person's average earnings credited exclusively under United States laws and (b) the ratio of the duration of the person's periods of coverage completed under United States laws to the duration of a coverage lifetime as determined in accordance with United States laws. Benefits payable under United States laws shall be based on the pro rata Primary Insurance Amount.

Article 11.3 describes the method of computing U.S. benefit amounts when entitlement is established by totaling (i.e., combining) U.S. and Czech coverage. As stipulated in Article 11.1, persons who qualify for U.S. benefits based solely on their U.S. coverage are not eligible for U.S. totalization benefits.

Under the procedure outlined in Article 11.3, the amount of the worker's benefit depends on both the level of his or her earnings and the duration of his or her coverage under U.S. social security. This computation procedure is described in detail in SSA regulations (20 CFR 404.1918 as revised July 24, 1984). The first step in the procedure is to compute a

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theoretical Primary Insurance Amount (PIA) as though the worker had spent a full coverage lifetime (i.e., full career) under U.S. social security at the same level of earnings as during his or her actual periods of U.S. covered work. The theoretical PIA is then prorated to reflect the proportion of a coverage lifetime completed under the U.S. program. A coverage lifetime is defined in the regulations as the number of the worker's benefit computation years, i.e., the years which must be used in determining a worker's average earnings under the regular U.S. national computation method.

4. Entitlement to a benefit from the United States which results from Paragraph 1 of this Article shall terminate with the acquisition of sufficient periods of coverage under United States laws to establish entitlement to an equal or higher benefit without the need to invoke the provision of paragraph 1 of this Article.

Article 11.4 provides that when a worker who is entitled to a pro rata totalization benefit from the United States acquires additional U.S. coverage which enables the person to qualify for an equal or higher benefit based solely on his or her U.S. coverage, the Social Security Administration will pay the regular national law benefit rather than the totalization benefit.

Article 12

Benefits under the Laws of the Czech Republic

The benefit provisions in Article 12 apply to old-age, survivors and disability pensions under the Czech social security system.

Benefits under the Czech system are paid to workers who meet the applicable eligibility requirements, including minimum length-of-coverage and recency-of-work requirements. Under the rules established in Article 12, the Czech Republic will add a person's U.S. social security coverage to periods of Czech coverage, if necessary, to meet the minimum coverage requirements. If the person meets the requirements based on combined U.S. and Czech coverage, the Czech Republic will pay a pro rata (i.e., partial) benefit that is proportional to the amount of coverage credited under the Czech system.

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CZECH SOCIAL SECURITY BENEFITS

RETIREMENT BENEFITS

Czech retirement benefits are payable at normal retirement age to workers who have at least 25 years of coverage. Normal retirement age is set at age 63 for both men and women. However, the normal retirement age for women who have had children is reduced, and ranges from 59-62 years according to the number of children. A worker of either sex who is at least 65 years old may retire with only 15 years of coverage.

All Czech benefit amounts consist of two parts: a flat-rate basic amount and a supplementary earnings-related amount. For retirement benefits, the flat-rate basic amount is currently 1,470 CZK a month and the earnings-related amount is 1.5 percent of the worker's average indexed monthly earnings for each year of coverage.

Workers receive a delayed retirement credit of 1.5 percent of average indexed monthly earnings for every 90 days of employment or self-employment after initial eligibility and before filing a claim. A minimum retirement pension is set by law.

DISABILITY BENEFITS

The Czech social security system pays two types of disability benefits: full disability benefits for workers with reduced capacity of at least 66 percent for any economic activity, and partial disability benefits for those with at least a 33 percent disability or a significant deterioration in general standard of living. Workers age 28 or older must have at least 5 years of coverage out of the 10 years immediately preceding disability onset or coverage in any 10 year period after disability onset in order to qualify.

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Disability benefit amounts consist of the same basic flat-rate amount as for retirement benefits, and an income-related amount equal to 1.5 percent of the worker's average indexed monthly earnings for each year of coverage. The period between the date of the worker's disability onset and retirement age is deemed to be periods of coverage for purposes of determining the benefit amount.

The basic flat-rate partial disability pension is 770 CZK per month as of January 2006. The income-related benefit is equal to 0.75 percent of the average indexed monthly earnings for each year of coverage. Minimum full and partial disability pensions are established by law.

SURVIVORS BENEFITS

For survivors benefits to be payable, the deceased worker must have met the coverage requirements for entitlement to either a retirement or disability benefit at the time of death. A surviving spouse may generally receive benefits for one year. After the first year, benefits are only paid to a surviving spouse who is disabled or who has attained age 55 (women) or age 58 (men). A surviving spouse may also continue to receive benefits if caring for a dependent child, a parent of the deceased worker or his or her own partially disabled parent over age 80. Surviving minor children are eligible if they were dependent on the worker at the time of death.

Survivors receive both a basic flat-rate payment and an income-related payment. The flat-rate payment is the same as for retirement benefits. The income-related amount for a surviving spouse equals 50 percent of the deceased worker's actual or anticipated retirement benefit. Each surviving child receives 40 percent of the deceased worker's actual or potential benefit. No family maximum exists. A minimum survivors pension is guaranteed by the Czech system. An additional lump-sum benefit (5,000 CZK in 2006) is paid for funeral expenses.

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COST-OFLIVING ADJUSTMENTS

Pensions are adjusted in January of each year by the same percentage as the change in prices over the 12 months ending in June of the previous year. At the same time, pensions are also increased by at least 1/3 of the average real wage growth in the 12 months prior to January 1 of the previous year. In addition, the government is authorized to increase pensions by decree if the aggregate consumer price index has risen by at least 5 percent since the month preceding the month in which the last increase was made.

1. If, under the laws of the Czech Republic, the conditions for entitlement to benefits are satisfied without taking into account periods of coverage completed under the laws of the United States, the agency of the Czech Republic will determine the benefit:
 - (a) on the basis of the periods of coverage completed exclusively under its laws, and at the same time according to the rules provided by paragraph (2), with the exception when the result of this calculation is equal to or lower than the result of the calculation under subparagraph (a).
 - (b) If, under the laws of the Czech Republic, the right to benefits can be acquired only with regard to periods of coverage completed under the laws of the United States, then the agency of the Czech Republic shall take into account periods of coverage completed according to the laws of the United States in so far as they do not overlap periods of coverage completed under the laws of the Czech Republic and:
2. Article 12.2 establishes the rules to be applied by the Czech agency in determining benefit amounts when entitlement is based on totalized periods of Czech and U.S. coverage. Where a person cannot qualify for Czech benefits based on his or her periods of Czech coverage alone, the Czech agency will take into account, for purposes of determining benefit eligibility, any periods of coverage credited under U.S. laws insofar as these periods do not coincide with coverage credited under Czech law.

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- (a) calculate the theoretical amount of the benefit which could have been claimed provided that all periods of coverage had been completed under the laws of the Czech Republic and
- (b) then - on the basis of the theoretical amount calculated in accordance with subparagraph (a) - shall determine the amount of the benefit payable by applying the ratio of the duration of the periods of coverage completed under the laws of the Czech Republic to the total periods of coverage.

In order to determine the basis for calculation of the benefit, the agency of the Czech Republic shall - in applying the provision of subparagraph (a) of this paragraph - take into account only income gained during the periods of coverage completed under the laws which it applies. This income - indexed according to Czech laws - will be considered as gained during the periods of coverage completed under the laws of the United States that are taken into account for the calculation of the theoretical amount of the benefit.

The Czech agency, in accordance with Article 12.2(a), will first compute a theoretical benefit amount as if the worker's U.S. periods of coverage had been completed under Czech law.

Under Article 12.2(b), the Czech agency will compute the amount of the benefit it will actually pay by prorating the theoretical amount determined under Article 12.2(a). The pro rata benefit will be computed by multiplying the theoretical amount by the ratio of the periods of coverage completed under Czech laws to the total periods in both countries.

Article 12.2 also stipulates how the Czech agency will take account of U.S. periods of coverage for purposes of computing the theoretical benefit amount referred to in Article 12.2(a). Like benefits under Czech national law, the theoretical amount will include both a flat-rate amount and an earnings-related amount. The earnings-related amount will be determined by attributing the worker's average annual earnings while covered under the Czech system to each year of U.S. coverage. For workers who become disabled or die before normal retirement age, the worker's average Czech earnings will also be deemed to have been earned in each year from disability onset or death up to normal retirement age. The total of the actual Czech earnings and the earnings attributed to U.S. coverage, plus any deemed earnings attributed in disability and survivors cases, will then be multiplied by 1.5 percent to determine the earnings-related amount of the theoretical pension.

3. The person concerned shall be entitled to the highest amount calculated in accordance with paragraphs 1 and 2 from the agency of the Czech Republic.

Article 12.3 provides that the beneficiary will always receive the higher of the two benefit amounts calculated in accordance with paragraphs 1 and 2.

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4. For the application of paragraph 2 of this Article the agency of the Czech Republic shall credit 90 days of coverage for every quarter of coverage certified by the agency of the United States. In case that in one calendar year four quarters of coverage are certified, the Czech agency credits the full number of days in the calendar year concerned.

Under Article 12.4, the Czech agency will credit 90 days of coverage for every quarter of coverage certified by the Social Security Administration. If the Social Security Administration certifies four quarters of coverage in any calendar year, the Czech agency will credit 365 days of coverage (366 days in a leap year).
5. If the period of coverage completed under the laws of the Czech Republic is less than twelve months and does not result in any right to benefits, then the agency of the Czech Republic will not award the benefit.

Under Article 12.5, the Czech agency will not take U.S. periods of coverage into account under the Agreement if the worker has less than one year of Czech coverage and cannot establish entitlement to Czech benefits based on Czech coverage alone. (In limited circumstances, it is possible to qualify for Czech disability benefits with less than one year of coverage, see Article 12.7.) Like the similar 6-quarter-of-coverage requirement for totalization by the United States under Article 11.1, this provision is intended to avoid the considerable administrative burden that would result from processing claims for very small benefits based on minimal periods of coverage.
6. The Czech competent authority may, in the interest of categories of beneficiaries, limit the application of the provision of Article 6.

Under Article 6, events which occur in the United States and which have effect on benefit entitlement, reduction, suspension or amount will be considered as if they had occurred in the Czech Republic. Article 12.6 allows the Czech competent authority to limit the application of Article 6; provided this is in the interest of beneficiaries and that it is applied consistently.
7. A person whose disability began before reaching the age of 18 and who has not participated in the insurance scheme for the necessary period shall acquire the right to a full disability benefit provided this person is a resident of the Czech Republic.

Under the Czech social security system, persons who become disabled before age 18 can qualify for disability benefits without having earned any Czech coverage. Article 3.2 removes any restrictions on entitlement to or payment of benefits due to residence outside of the Contracting States, and would therefore require the Czech agency to pay disability benefits to U.S. residents disabled before age 18 even if they had no

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ANNOTATIONS AND COMMENTS

Czech coverage. Article 12.7 provides that persons who became disabled before age 18 without having earned any Czech coverage will only be able to qualify for Czech disability benefits if they are residents of the Czech Republic.

PART IV

Miscellaneous Provisions

Article13

Cooperation of the Competent Authorities

The Competent Authorities of the two Contracting States shall:

- (a) conclude an administrative arrangement for the implementation of this Agreement;
- (b) communicate to each other information concerning the measures taken for the application of this Agreement; and
- (c) communicate to each other information concerning all changes in their respective laws which may affect the application of this Agreement.

Article 13 outlines various duties of the Competent Authorities under the Agreement. Paragraph (a) authorizes the Competent Authorities to make any administrative arrangements that may be necessary to implement and administer the Agreement. Paragraph (b) requires the Competent Authorities to notify each other of measures they have taken unilaterally to implement the Agreement. Paragraph (c) obligates the Competent Authorities to notify each other of any changes in their respective social security laws that may affect the application of the Agreement.

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Article 14

Mutual Assistance

The Competent Authorities and the agencies of the Contracting States, within the scope of their respective authorities, shall assist each other in implementing this Agreement. This assistance shall be free of charge, subject to exceptions to be agreed upon in an administrative arrangement.

Article 14 provides authority for the two countries to furnish each other non-reimbursable assistance in administering the Agreement. Such assistance may include the taking of benefit applications and the gathering and exchanging of information relevant to claims filed under the Agreement. Although Article 14 establishes a general principle that mutual administrative assistance will be free of charge, the provision authorizes the two sides to agree to exceptions, such as the exception regarding medical examinations in Article 7.3 of the Administrative Arrangement.

Article 15

Confidentiality of Exchanged Information

Unless otherwise required by the national statutes of a Contracting State, information about an individual which is transmitted in accordance with this Agreement to that Contracting State by the other Contracting State shall be used exclusively for purposes of implementing this Agreement. Such information received by a Contracting State shall be governed by the national statutes of that Contracting State for the protection of privacy and confidentiality of personal data.

Both the United States and the Czech Republic have statutes and regulations that govern disclosure and provide strict safeguards for maintaining the confidentiality of information pertaining to individuals which is in the possession of their respective Governments. In the United States, these statutes include the Freedom of Information Act, the Privacy Act, section 6103 of the Internal Revenue Code, and pertinent provisions of the Social Security Act and other related statutes. Article 15 provides that personal information pertaining to an individual which one country furnishes to the other under the Agreement will be protected in accordance with the applicable provisions of the other country's privacy and confidentiality laws.

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Article 16

Fees, Authentication, and Verification of Documents

1. Where the laws of a Contracting State provide that any document which is submitted to the Competent Authority or an agency of that Contracting State shall be exempted, wholly or partly, from fees or charges, including consular and administrative fees, the exemption shall also apply to corresponding documents which are submitted to the Competent Authority or an agency of the other Contracting State in the application of this Agreement.

2. Documents and certificates which are presented for purposes of this Agreement shall be exempted from requirements for authentication by diplomatic or consular authorities.

3. Copies of documents which are certified as true and exact copies by an agency of one Contracting State shall be accepted as true and exact copies by an agency of the other Contracting State, without further certification. The agency of each Contracting State shall be the final judge of the probative value of the evidence submitted to it from whatever source.

Article 16.1 provides that if the laws of one country exempt documents submitted in connection with a social security claim from fees or charges, that exemption shall also apply if such documents are sent to the other country by or on behalf of a claimant or beneficiary.

Some countries require that the authenticity of documents submitted to their social security authorities by or on behalf of persons in another country be certified by a diplomatic, consular or other official representative in the other country. (The United States has no such requirements.) Under Article 16.2, neither the United States nor the Czech Republic will require such authentication of documents submitted under the Agreement.

If the agency of one country certifies that a copy of a document it furnishes to an agency of the other country is a true and exact copy of an original document, the other country will accept this certification. Nevertheless, each country will remain the final judge of the probative value of any documents submitted to it.

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Article 17

Communication and Use of Languages

1. The Competent Authorities and agencies of the Contracting States may correspond directly with each other and with any person wherever the person may reside whenever it is necessary for the administration of this Agreement.
2. An application or document may not be rejected by a Competent Authority or agency of a Contracting State solely because it is in the language of the other Contracting State.

Article 17.1 authorizes direct correspondence between the Competent Authorities and agencies of the two countries and between these bodies and any person with whom they may need to communicate. The correspondence may be in either country's language.

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The Competent Authorities and agencies of each country may not reject an application or document because it is in the language of the other country. The United States already accepts applications and documents without regard to the language in which they are written.

Article 18

Application for Benefits

1. A written application for benefits filed with an agency of one Contracting State shall protect the rights of the claimants and shall be treated as an application under the laws of the other Contracting State if the applicant:
 - (a) requests that it be considered an application under the laws of the other Contracting State; or in the absence of such a request,

Under Article 18.1, a written application submitted to an agency of one country will protect a claimant's right to benefits under the laws of the other country as if the application had been presented in the other country, provided the applicant expresses an intent to file for benefits in the other country when the application is filed. Because an applicant may not be fully aware of his or her benefit rights in the other country, Article 18.1 (b) provides that, in the absence of an expression of intent, the application will also protect the claimant's rights in the other country if the applicant indicates at the time of filing that periods of coverage have been completed in the other country.

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- (b) provides information indicating that periods of coverage have been completed under the laws of the other Contracting State.
2. An applicant may request that an application filed with an agency of one Contracting State not be considered an application for benefits under the laws of the other Contracting State or that it be effective on a different date in the other Contracting State within the limitations of and in conformity with the laws of the other Contracting State.
3. The provisions of Part III of this Agreement shall apply only to an application for benefits which is filed on or after the date this Agreement enters into force.

<p>Under Article 18.2, an applicant for benefits may request that a written application submitted to an agency of one country not be considered an application for benefits under the laws of the other country, or that the application be effective on another date in the other country.</p> <p>Article 18.3 requires that a person claiming benefits under the Agreement file an application either on or after the date the Agreement enters into force.</p>	<p style="text-align: center;">28</p> <p style="text-align: center;">Article 19</p> <p style="text-align: center;">Appeals</p> <p>A written appeal of a determination made by an agency of one Contracting State may be validly filed with an agency of either Contracting State. The appeal shall be decided according to the procedure and laws of the Contracting State whose decision is being appealed.</p> <p>Both the United States and the Czech Republic have formal procedures for appealing adverse determinations of their agencies. Under Article 19, an appeal of a decision by an agency of one country may be filed with the agency of that country or with the agency of the other country. In either case, the appropriate agency of the country whose decision is being appealed would consider the appeal based on its own laws and procedure.</p>
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Article 20

Transmittal of Claims, Notices or Written Appeals

1. In any case to which the provisions of Articles 18 and 19 of this Agreement apply, the agency to which the claim, notice, or written appeal has been submitted shall indicate the date of receipt on the document and transmit it without delay to the agency of the other Contracting State.

2. Any claim, notice, or written appeal which, under the laws of one Contracting State, must have been filed within a prescribed period with an agency of that Contracting State, but which is instead filed within the same period with an agency of the other Contracting State, shall be considered to have been filed on time.

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The agency with which a claim, notice or written appeal is filed under Article 18 or 19 of the Agreement shall transmit it without delay to the appropriate agency of the other country, indicating the date on which the document was received.

Article 20.2 provides that a claim, notice or written appeal which must be filed within a prescribed time limit with an agency of one country will be considered to have been filed on time if it is filed within such limit with an agency of the other country.

Article 21

Currency of Payments

1. Payments under this Agreement may be made in the currency of the Contracting State making the payments, or other freely convertible currency.

Benefits that are payable under this Agreement may be paid in the currency of either country. The normal U.S. practice is to pay benefits in U.S. dollars. Czech benefits may be paid abroad in U.S. dollars, in Czech Koruna, or in any other freely convertible currency (e.g., Euros, should the Czech Republic adopt the Euro as its currency).

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2. In case provisions designed to restrict the exchange or exportation of currencies are introduced by either Contracting State, the Governments of both Contracting States shall immediately take measures necessary to ensure the transfer of sums payable under this Agreement.

Article 22

Resolution of Disputes

Any disagreement regarding the interpretation or application of this Agreement shall be resolved by consultation between the Competent Authorities.

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Article 22 obligates the Competent Authorities to attempt to resolve any dispute between them regarding the Agreement through direct consultation or negotiation.

PART V

Transitional and Final Provisions

Article 23

Transitional Provisions

1. This Agreement shall not establish any claim to payment of a benefit for any period before the date of entry into force of this Agreement, or to a lump-sum death benefit if the person died before the entry into force of this Agreement.

Benefits payable based on the Agreement will be paid for periods beginning no earlier than the effective date of the Agreement. Any lump-sum death payments provided by section 202(i) of the U.S. Social Security Act will be paid under the Agreement only if the death occurs on or after the Agreement's effective date.

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ANNOTATIONS AND COMMENTS

2. In determining the right to benefits under this Agreement, consideration shall be given to periods of coverage under the laws of either Contracting State and other events which occurred before the entry into force of this Agreement.
 3. In applying paragraphs 1 and 3 of Article 8 in the case of persons who were pursuing an activity as an employed or self-employed person in the territory of a Contracting State prior to the date of entry into force of this Agreement, that activity shall be considered to begin on the date of entry into force of this Agreement.

In determining benefit eligibility and amounts under the Agreement, Article 23.2 provides that periods of coverage occurring before the Agreement enters into force will be taken into account. In addition, events material to the determination of benefit rights, such as marriage, death, disability or attainment of a certain age, that occurred prior to the effective date of the Agreement, will be considered in applying the Agreement. However, the United States will not consider periods of Czech coverage credited prior to 1937, the earliest date for which periods of coverage may be credited under U.S. law. (See Article 11.2)

3. Under Articles 8.1 and 8.3, if an employee is transferred by his or her employer in one country to work in the other country, or a self-employed person temporarily transfers his or her self-employment activity from one country to the other country, that employee or self-employed person will continue to be covered under the social security system of the first country and will be exempt from coverage in the host country provided the period of the transfer is for 5 years or less. Article 23.3 provides that the 5-year period will be measured beginning no earlier than the date the Agreement enters into force. Thus, for persons to whom Article 8.1 or 8.3 apply who were working in the other country before the effective date of the Agreement, that prior period will not be counted for purposes of the 5-year limit.

Article 24

Earlier Determinations

1. Determinations concerning entitlement to benefits which were made before the entry into force of this Agreement do not contradict the application of this Agreement.
- A decision to award or deny a claim which was rendered prior to the effective date of the Agreement will not prevent a person from filing a new application for additional benefits that may be payable as a result of the Agreement.

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ANNOTATIONS AND COMMENTS

2. The application of this Agreement shall not result in any reduction in the amount of a benefit to which entitlement was established prior to its entry into force.

Article 25

Entry into Force

This Agreement shall enter into force on the first day of the third month following the month in which the Contracting States inform each other by written notification that all necessary statutory and constitutional requirements for the entry into force of this Agreement have been fulfilled.

Article 24.2 guarantees that benefits which are already being paid at the time the Agreement becomes effective will not be reduced as a result of its entry into force.
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Each country will follow its own constitutional and statutory procedures for approval of the Agreement. Once each country has completed its internal approval process, the two Governments will exchange formal instruments of approval. The Agreement will enter into force on the first day of the third calendar month after the month in which each Government has received formal notification of approval from the other Government.

Article 26

Duration, Modification and Termination of the Agreement

1. This Agreement shall remain in force without any limitation on its duration.
 2. This Agreement may be amended in the future by supplementary agreements which, from their entry into force, shall be considered an integral part of this Agreement.
- Article 26.1 provides for the Agreement to remain in effect indefinitely. However, either Contracting State may terminate the Agreement with one year's notice (see Article 26.3).
- Article 26.2 provides that the Agreement may be amended by future supplementary agreements. After a supplementary agreement becomes effective, it will be considered an integral part of the Agreement.

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ANNOTATIONS AND COMMENTS

3. This Agreement may be terminated by either Contracting State giving written notice of its termination to the other Contracting State. In the event that the Agreement is terminated, it shall remain in force until the expiration of one calendar year following the year in which written notice of its termination is delivered by one of the Contracting States to the other Contracting State.

4. If this Agreement is terminated, rights regarding entitlement to or payment of benefits acquired under it shall be retained. The Contracting States shall make arrangements dealing with rights in the process of being acquired.

Article 26.3 provides for the Agreement to remain in effect until the expiration of one calendar year after the year notice of termination is given by one of the countries.

In the event the Agreement is terminated, a person will retain benefit rights acquired before termination; special arrangements would determine the extent to which each country would recognize benefit rights in the process of being acquired at the time of termination—for example, periods of coverage which had not yet resulted in fully insured status.

IN WITNESS WHEREOF, the undersigned, being duly authorized thereto, have signed the present Agreement.
DONE at Prague on September 7, 2007 in duplicate in the English and Czech languages, the two texts being equally authentic.

ON BEHALF OF THE UNITED STATES OF AMERICA:

Richard W. Gruber

ON BEHALF OF THE CZECH REPUBLIC:

Petr Nečas

ADMINISTRATIVE ARRANGEMENT

ANNOTATIONS AND COMMENTS

Administrative Arrangement
for the Implementation of the Agreement
on Social Security
between the United States of America
and the Czech Republic

The Competent Authority of the United States of America and
the Competent Authority of the Czech Republic,

In conformity with Article 13 (a) of the Agreement on Social Security
between the United States of America and the Czech Republic of
September 7, 2007, hereinafter referred to as the "Agreement", have
agreed as follows:

CHAPTER I

General Provisions

Article 1

The terms used in this Administrative Arrangement shall have the same
meaning as in the Agreement.

Article 2

1. The agencies referred to in Article 1, paragraph 1 (d) of the
Agreement shall be:
 - (a) for the United States, the Social Security Administration;
 - (b) for the Czech Republic, Česká správa sociálního
zabezpečení (the Czech Social Security Administration).

Article 1 provides that the terms used in this Administrative Arrangement
will have the same meaning as they have in the Agreement.

Article 2.1 designates the agencies in each country that will have primary
responsibility for coordinating implementation and administration of the
coverage and benefit provisions of the Agreement. The Social Security
Administration is the designated agency for the United States, and the
Czech Social Security Administration is the counterpart agency for the
Czech Republic.

2. The agencies referred to in paragraph 1 of this Article shall agree upon the joint procedures and forms necessary for the implementation of the Agreement and this Administrative Arrangement.

CHAPTER II

Provisions on Coverage

Article 3

1.
 - (a) Where a person is subject to the laws of one Contracting State in accordance with Part II of the Agreement, the agency of that Contracting State shall issue, upon request of the employer or self-employed person, a certificate stating that the person concerned is subject to those laws, and indicating the duration for which the certificate shall be valid.
 - (b) Where possible, a certificate shall be requested in advance by the employer or self-employed person.
 - (c) This certificate shall be evidence that the person concerned is exempt from the laws on compulsory coverage of the other Contracting State in respect of the designated employment or self-employment activity.
2. The certificate referred to in paragraph 1 of this Article shall be issued and exceptions under Article 10 of the Agreement shall be granted by the agencies referred to in Article 2 of this Administrative Arrangement.
3. The employer and employee, or self-employed person, shall submit, in advance wherever possible, a request for an exception under Article 10 of the Agreement to the agency of the Contracting State under whose laws coverage is requested. The agency of a Contracting State which issues a certificate referred to in paragraph 1 of this Article shall furnish, as needed,
4. Article 3.4 provides that the agency issuing a coverage certificate will furnish a copy of the certificate or information from the certificate to the

Article 2.2 authorizes and requires the agencies of the United States and the Czech Republic to agree upon those procedures and forms that must be prepared jointly for the implementation of the Agreement and this Administrative Arrangement.

a copy of the certificate or agreed upon information from the certificate to the agency of the other Contracting State.

CHAPTER III

Provisions on Benefits

Article 4

1. Applications for benefits under the Agreement shall be submitted on forms to be agreed upon by the agencies of the two Contracting States.
2. The agency of the Contracting State with which an application for benefits is first filed in accordance with the Agreement shall transmit the application to the agency of the other Contracting State, indicating the date on which the application was received. The agency of the first Contracting State will also transmit, on forms to be agreed upon, a record of the periods of coverage completed under its laws and other information in its possession as may be required for the agency of the other Contracting State to complete action on the claim.
3. The agency of a Contracting State which receives an application that was first filed with an agency of the other Contracting State shall, without delay, provide the agency of the other Contracting State with the same information as mentioned in paragraph 2 of this Article, which is required to complete action on the claim in the first Contracting State.

The U.S. and Czech agencies will agree on special application forms to be used by individuals who wish to file for benefits based on the Agreement.

Articles 4.2 and 4.3 outline the procedures to be followed by both countries for the exchange of pertinent information needed to process claims filed under the Agreement.

<p>4. The agency of the Contracting State with which an application for benefits has been filed shall verify the information pertaining to the applicant and the applicant's family members. The types of information to be verified shall be agreed upon by the agencies of both Contracting States.</p>	<p>Article 4.4 deals with the verification of claims information. Both U.S. and Czech laws require that certain information about individuals claiming benefits be verified (e.g., age and family relationship to the worker) before the claim can be approved. Article 4.4 provides that when a claim for benefits under the Agreement is filed in one country, the agency of that country will verify the relevant information and inform the agency of the other country of its findings. The agencies will agree upon the specific types of information which must be verified.</p> <p>The purpose of this provision is to expedite the claims process by avoiding the duplication of effort that would result if the agencies of both countries were required to verify the same information. Although an agency may accept the findings of the other agency concerning the accuracy of information, it may at its discretion request documentary evidence to support those findings.</p>
<p>CHAPTER IV</p>	<p>Miscellaneous Provisions</p>
<p>Article 5</p>	<p>In accordance with measures to be agreed upon pursuant to paragraph 2 of Article 2 of this Administrative Arrangement, the agency of one Contracting State shall, upon request of the agency of the other Contracting State, furnish available information relating to the claim of any specified individual for the purpose of administering the Agreement.</p>
<p>Article 6</p>	<p>For the purpose of facilitation of the implementation of the Agreement and this Administrative Arrangement, the agencies may agree on measures for the provision and transmission of the electronic exchange of data, in accordance with Article 15 of the Agreement.</p>
<p>Article 7</p>	<p>Under Article 6, the agencies of both countries may agree to implement electronic data exchanges to facilitate implementation of the Agreement, provided such exchanges are conducted in accordance with the laws of each country governing the protection of privacy and confidentiality of personal data.</p>

1. Where administrative assistance is requested under Article 14 of the Agreement, it shall be free of charge. Expenses other than regular personnel and operating costs of the agency providing the assistance shall be reimbursed, except as may be agreed to by the Competent Authorities or agencies of the Contracting States.

In accordance with Article 14 of the Agreement, the agencies of the two countries will provide each other with such administrative assistance as may be necessary to implement the provisions of the Agreement. Under Article 7.1, expenses incurred in responding to requests for administrative assistance which require an agency to go outside its own organization—for example, to hire interpreters, conduct special field investigations, or arrange medical examinations—will be paid by the requesting agency, unless the two countries agree on a different arrangement. Expenses for regular personnel and operating costs will not be reimbursed.

2. Upon request, the agency of one Contracting State shall furnish without cost to the agency of the other Contracting State any medical information and documentation in its possession relevant to the disability of the claimant or beneficiary.
3. Where the agency of one Contracting State requires that a person in the territory of the other Contracting State who is receiving or applying for benefits under the Agreement submit to a medical examination, such examination, if requested by that agency, shall be arranged by the agency of the other Contracting State in accordance with the rules of the agency making the arrangements and at the expense of the agency which requests the examination.
4. The agency of one Contracting State shall reimburse amounts owed under paragraphs 1 or 3 of this Article upon presentation of a statement of expenses by the agency of the other Contracting State.

When the agency in one country requests medical information from the agency in the other country, the latter agency will furnish the requesting agency any pertinent medical records it has in its possession free of charge.

Article 7.3 provides that where a medical examination is necessary to establish eligibility for or continuing entitlement to a country's benefits that are payable under the Agreement, and the claimant or beneficiary is located in the other country, the agency of the other country will, upon request, arrange for the examination at the expense of the agency requesting the examination.

In order to receive reimbursement for the cost of administrative assistance, the agency which provides the assistance must furnish the requesting agency with a detailed statement of expenses.

Article 8

1. Benefits shall be paid directly to the beneficiaries, in accordance with the laws of a Contracting State.
2. The agencies of the Contracting States shall pay benefits under the Agreement without any deduction for the agencies' administrative expenses.

Article 8 was included at the request of the Czech authorities to make clear that benefits will be paid directly to beneficiaries without any deductions for the agencies' administrative costs.

Article 9

The agencies of the two Contracting States shall exchange statistics on the number of certificates issued under Article 3 of this Administrative Arrangement and on the payments made to beneficiaries under the Agreement. These statistics shall be furnished annually in a form to be agreed upon.

Article 10

The Competent Authorities may notify each other, in writing, of changes in the names of the agencies without the need to modify this Administrative Arrangement.

Article 11

This Administrative Arrangement shall enter into force on the date of entry into force of the Agreement and shall have the same period of validity.

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Article 9 provides for an exchange of statistics concerning the number of coverage certificates issued pursuant to Article 3.1 of this Administrative Arrangement and the payments made to beneficiaries under the Agreement.

Article 10 provides that changes to the names of the agencies will not require the two sides to modify the Administrative Arrangement.

The Administrative Arrangement will enter into force on the same date as the Agreement and will remain in effect for the same period as the Agreement.

The Administrative Arrangement was signed on September 7, 2007, in Prague by the United States Ambassador to the Czech Republic, Richard W. Gruber, and Petr Nečas, Deputy Prime Minister and Minister of Labour and Social Affairs of the Czech Republic.

FOR THE COMPETENT AUTHORITY OF THE UNITED STATES OF AMERICA:
Richard W. Gruber

FOR THE COMPETENT AUTHORITY OF THE CZECH REPUBLIC:
Petr Nečas



SOCIAL SECURITY

MEMORANDUM

Date: July 1, 2015 Refer To: TCC

To: Stephen C. Goss, Chief Actuary

From: Chris Chaplain, Actuary
Nettie Barrick, Actuary

Subject: Estimated Effects of a Potential Revision of the Totalization Agreement between the Czech Republic and the United States—**INFORMATION**

The United States and the Czech Republic signed a bilateral social security (“totalization”) agreement on September 7, 2007, which became effective on January 1, 2009. When signed in 2007, this agreement included an exemption for U.S. workers from both Czech social security and health insurance contributions. However, effective January 1, 2008, the Czech Republic changed its laws on health insurance, placing health insurance contributions outside the legal scope of the signed agreement. This law change subjected temporary U.S. workers in the Czech Republic to Czech health insurance contributions when the original intent of the agreement was to make the health insurance contributions exempt. As a result, for the agreement that subsequently became effective January 1, 2009, U.S. workers exempted from Czech social security taxes under the agreement remained liable to pay Czech health insurance taxes.

Accordingly, the United States and the Czech Republic have concluded a supplementary agreement. This agreement would exempt a temporary U.S. worker from contributing to both the Czech social security system and the Czech health insurance system if he or she meets the usual criteria for such an exemption.

We have assumed that the revised supplemental agreement would become effective on January 1, 2017. We estimate that the supplementary agreement would result in a net cost to the U.S. social security system that is negligible (less than \$500,000 each year) through fiscal year 2023. The estimated effect on the long-range OASDI actuarial balance would be negligible (less than 0.005 percent of taxable payroll). Approximately 820 to 870 workers per year would not contribute to the Czech Republic health insurance system from fiscal year 2017 to fiscal year 2023. Estimated net costs to the Czech system would range from \$6 million in fiscal year 2017 to \$12 million in fiscal year 2023, with total net cost through fiscal year 2023 of \$70 million.

Chris Chaplain

Nettie Barrick

**Report to Congress on
the Supplementary Agreement on Social Security
between the United States of America and the Czech Republic**

BACKGROUND

The United States and the Czech Republic signed a bilateral social security ("totalization") agreement on September 7, 2007. The agreement became effective January 1, 2009. A series of events since that time have made this Supplementary Agreement necessary.

- The initial agreement included an exemption for U.S. workers covered under the agreement from Czech Republic social security and health insurance contributions.
- Effective January 1, 2008 the Czech Republic changed its laws on health insurance, which had the unintended effect of placing its health insurance contributions outside the legal scope of the initial agreement. As a result, workers and employers covered exclusively under U.S. law while working in the Czech Republic also became subject to its new law on health insurance contributions totaling 13.5 percent of earnings.
- U.S. workers covered under the initial agreement must currently contribute to the Czech Republic's health insurance system. This result is inconsistent with the purpose of totalization agreements to eliminate duplicate taxation as permitted by 42 U.S.C. 433 and 26 U.S.C. 3101(c). The Supplementary Agreement rectifies this unintended result.

NEW PROVISION

This Supplementary Agreement amends the initial agreement by adding the new Czech Republic health insurance law to the scope of the agreement, thereby exempting workers and their employers covered under United States law from contributing to the Czech Republic's health insurance system. This Supplementary Agreement becomes effective the first day of the month following the month in which both countries notify each other that it has cleared their respective legal processes.

The Social Security Administration's Chief Actuary estimates that this Supplementary Agreement will save U.S. workers and multinational companies \$83 million through fiscal year 2022, with negligible costs to the Social Security Trust Funds.

